



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 784** HLS 15RS 858
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 5, 2015 5:48 PM	Author: DOVE
Dept./Agy.: Natural Resources	Analyst: Drew Danna
Subject: Enhances and Creates Fees for the Office of Conservation	

CONSERVATION/OFFICE OR +\$8,900,000 SD RV See Note Page 1 of 2
 Provides for certain fees collected by the office of conservation

Present law authorizes the Office of Conservation to collect annual fees from operators of capable oil and gas wells based on a tiered system and on injection wells and facilities. Proposed law increases the fee caps on Type A & B Commercial Facilities, Class I, II, & III wells, and storage wells by 150%. The caps on capable oil & gas production will also be increased by 150%.

Proposed law also increases the amount of fees deposited in the Oil and Gas Regulatory fund from \$5 to \$15, as well as increasing the per mile and per pipeline facility fees currently in place.

Proposed law also creates an additional 31 fees ranging from \$50 to \$3,000.

EXPENDITURES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$8,900,000	\$8,900,000	\$8,900,000	\$8,900,000	\$8,900,000	\$44,500,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$8,900,000	\$8,900,000	\$8,900,000	\$8,900,000	\$8,900,000	\$44,500,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The proposed legislation will increase fee caps and raise approximately \$8.9 M annually in new revenue flowing into the Oil & Gas Regulatory Fund from the following categories: Pipeline Safety (\$880,000), Regulatory/Production (\$5 M), Class I Injection Wells (\$600,000) and Other Revenue (\$400,000). The proposed legislation will also create 31 new fees, which are anticipated to generate approximately \$2 M. Note: The amount of revenue is directly related to the number of applications submitted by operators, any change in this number would directly affect the amount of revenue collected.

Fees associated with Pipeline Safety will increase from \$22.40 per mile of pipeline to \$39.20 per mile. There is currently 52,395 miles of pipeline, which will result in an increase in revenue from approximately \$1.1 M to \$2 M, or an increase of \$880,000 annually. In addition, Regulatory/Production fees will increase by 150%, which equates to approximately \$5 M in additional revenues annually. The table below will examine the increase for three subcategories within this area.

	Current Fee	New Fee	Number of Facilities	Total Current Fee	Total New Fee
Type A Commercial	\$6,496	\$16,240	9	\$58,464	\$146,160
Type B Commercial	\$3,248	\$8,120	25	\$81,200	\$203,000
Class II, III, and Storage	\$651	\$1,621	1,129	\$734,979	\$1,830,109

In addition to the information above, Class 1 Injection Well production fees will increase from \$400,000 to \$1 M, or a \$600,000 increase annually.

In order to allow for the proposed fee increases, this bill increases the fund's cap from \$2.45 M to \$6.1 M. The current statutes limits the amount of revenues generated annually.

This legislation also increases the acreage fee donated to the Oil and Gas Regulatory Fund from \$5 per acre to \$15 per acre. Providing for 40,000 acres, revenues will increase from \$200,000 to \$600,000, or an increase of \$400,000 annually. The proposed legislation also introduces 31 new fees which are anticipated to increase revenues by approximately \$2 M per year.

See table on page 2 for more information.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

Evan Brasseaux

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 Staff Director



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CONTINUED EXPLANATION from page one:
Proposed New Fees from Page 1

Table with 4 columns: Application Type, Proposed Fee, Number of Applications, Projected Revenue. Lists various fees such as Alternate Well Unit, Exception to 29-E, etc., with a total new revenue of \$1,998,846.

- Senate Dual Referral Rules House
13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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